



United States Attorney's Office
District of Columbia

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Local Businessman Sentenced to 41 Months in Prison for Embezzlement and Income Tax Evasion

WASHINGTON - Harry Phillip Zakas, 40, has been sentenced to 41 months in prison for embezzling a half million dollars from his own company and evading \$285,000 in federal income taxes for the 2005 and 2006 calendar years, U.S. Attorney Jeffrey A. Taylor, U.S. Secret Service Special Agent in Charge Jeffrey Irvine, and Special Agent in Charge C. André Martin, IRS, Criminal Investigation, announced today.

Zakas, a resident of the District of Columbia, received his sentence in the U.S. District Court for the District of Columbia before the Honorable James Robertson, who also ordered that the defendant pay restitution to his primary investor, the Internal Revenue Service, and the District's Office of Tax and Revenue. Following the defendant's release from prison, Judge Robertson ordered that the defendant be placed on 36 months of supervised release.

"Those who engage in corrupt business practices by embezzling funds and evading payment of taxes undermine and harm our economy," stated U.S. Attorney Taylor. "Today's prison sentence should remind corrupt business owners that there is also steep personal penalty to pay for their unscrupulous conduct."

"The prosecution of individuals who intentionally conceal income and evade taxes is a vital element in maintaining public confidence in our tax system," stated IRS Special Agent in Charge Martin. "We should not expect the honest taxpayer to foot the bill for those who hide income from the IRS."

Zakas was the founder of Intelli7, Inc, a company which created software to analyze multiple levels of network traffic and detect any unauthorized intrusions without effecting the speed or availability of the network. Between May 2004 and July 2006, Zakas obtained \$6.5 million from a venture capital firm that invested funds on behalf of universities and other clients in early stage technology companies.

Zakas previously admitted that in a five-month period, from September 2005 to May 2006, he misappropriated these funds from his company by using his corporate bank card to pay for repeated stays at the Four Seasons Hotel in Georgetown, tabs incurred at local nightclubs and clothes purchased at high-end retail establishments. Zakas also admitted wire transferring large sums of money - \$34,000 and \$20,000 - from Intelli7's bank accounts to his and an associate's account, which was subsequently used for personal expenditures.

In addition to the one count of wire fraud, Zakas previously pled guilty to one count of income tax evasion. He admitted that he failed to file returns and intentionally stopped withholding federal and local income taxes from his pay for the 2005 and 2006 calendar years. As a result, Zakas agreed that he evaded approximately \$285,000 in federal taxes and at least \$77,252 in taxes owed to the District of Columbia's Office of Tax and Revenue.

In announcing the sentence, U.S. Attorney Taylor, U.S. Secret Service Special Agent in Charge Irvine, and IRS Special Agent in Charge Martin commended the investigatory work of former Secret Service Special Agent Anthony Saler, Secret Service Agents Ellen J. Ripperger and Phillip Soto, and IRS Special Agent Sharnell Thomas. They also praised Assistant U.S. Attorney Susan Menzer and Special Assistant U.S. Attorney Elisabeth Poteat, who handled the prosecution.

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